

PUBLIC DISCLOSURE

November 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SAVERS CO-OPERATIVE BANK

26455

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NOTE:	This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Savers Co-operative Bank ("Savers" or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **November 22, 2010**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. The assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The FDIC and Division rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations

INSTITUTION'S CRA RATING:

This institution is rated "High Satisfactory" by the Division.

This institution is rated "Satisfactory" by the FDIC.

Note: The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or a Satisfactory rating.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Based on the Bank's asset size, their CRA performance was evaluated using the *Interagency Intermediate Small Institution (ISI) Examination Procedures*, which consists of a Lending Test and a Community Development Test. A summary of the Bank's overall performance within each of the two tests is provided below and additional detail is provided under the *Conclusions with Respect to Performance Tests*

Lending Test:

The Lending Test is rated "Outstanding."

- Savers' average net loan-to-deposit ratio is 99.7 percent, for the period under review. This ratio is more than reasonable given the Bank's size and assessment area credit needs and compares favorably to similarly sized institutions in the area.
- A majority of the Bank's loans and other lending-related activities are in the institution's assessment area.
- The distribution of loans reflects an excellent penetration among borrowers of different income levels. The Bank ranked 5th out of 295 lenders in originating loans to low-income individuals in the assessment area.
- The geographic distribution of the Bank's loans also reflects an excellent dispersion throughout the assessment area. In 2009, the Bank's percentage of lending within moderate-income census tracts exceeded aggregate performance and also exceeded the percentage of owner-occupied housing units in the assessment area. It should be noted that there is only one low-income census tract in the delineated assessment area.
- The Bank received no CRA-related complaints.

Community Development Test:

The Community Development Test is rated “Satisfactory.”

- The Bank’s community development performance demonstrates adequate responsiveness to the assessment area through its community development loans, qualified investments, and community development services.
- During the period reviewed, 44.3 percent of all the Bank’s charitable donations were qualified.
- The extent to which Bank officers and staff are providing qualified community development services is adequate. The Bank has provided several, qualified educational seminars within their assessment area. Seminars included financial literacy for students and elders. The Bank is also an active participant in the only school savings program validated by the U.S. Department of Education, the Save for America program.

PERFORMANCE CONTEXT

Scope of Examination

The CRA evaluation includes a review of the Bank's lending and community development activities for the period of July 31, 2007 through November 22, 2010. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Under the Lending Test, emphasis was placed on home mortgage loans originated in 2008 and 2009. Loans originated in 2010 (January 1st through September 30th) were considered for trend purposes. Information concerning the Bank's home mortgage lending was derived from the loan application registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, on one- to four-family and multifamily (five or more units) properties.

The Community Development Test includes community development loans, investments, and services for the period July 31, 2007 through November 22, 2010.

Description of Institution

Savers Co-operative Bank is a Massachusetts state-chartered, mutual cooperative financial institution established in 1910 and headquartered in Southbridge Massachusetts. In addition to the main office located at 270 Main Street in Southbridge, the Bank operates five branch offices with one office each in the communities of Uxbridge, Auburn, Grafton, Charlton, and Sturbridge. All offices are located in middle-income census tracts with the exceptions of the Southbridge office, which is located in a moderate-income census tract, and the Grafton office, which is located in an upper-income census tract. All offices are equipped with an automated teller machine (ATM) and drive-up facilities.

Savers had total assets of \$402.3 million as of September 30, 2010, consisting principally of loans and securities. Total assets have increased 24.1 percent since the last CRA evaluation, completed as of July 30, 2007. The loan portfolio accounted for most of the asset growth (14.5 percent), with commercial, residential real estate, and consumer loans being the primary contributors. Asset growth has been funded mainly through an increasing deposit base (9.8 percent increase) and borrowings.

Loans total \$279.6 million as of September 30, 2010, and account for 69.5 percent of total assets. Refer to the following table for information regarding the composition of the loan portfolio.

Loan Distribution as of September 30, 2010		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	1,567	0.6
1-4 Family Residential	205,025	73.3
Multi-Family (5 or more) Residential	3,113	1.1
Commercial	30,817	11.0
Total Real Estate Loans	240,522	86.0
Commercial and Industrial	6,492	2.3
Consumer	32,380	11.6
Other	208	0.1
Total Loans	279,602	100.0

Source: Bank's Report of Condition and Income

As the data in the above table shows, the Bank is primarily a real estate lender, with 86.0 percent of the loan portfolio secured by commercial and residential properties. Residential real estate loans comprise the single greatest share of the loan portfolio. These loans are secured by multi-family properties (5+ units) and one-to-four-family residences and include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the real estate portfolio (11.0 percent). Loans to finance consumer purposes make up nearly all of the remainder of the total loan portfolio (11.6 percent).

The Division assigned the Bank a CRA rating of “High Satisfactory” and the FDIC assigned a CRA rating of “Satisfactory” at its last joint CRA evaluation on July 30, 2007. There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area or areas within which its performance will be evaluated. Savers Co-operative Bank defined its assessment area to include the following 14 Massachusetts communities: Auburn, Charlton, Douglas, Dudley, Grafton, Millbury, Northbridge, Oxford, Southbridge, Sturbridge, Sutton, Uxbridge, Whitinsville, and Webster. These communities are located in the Worcester Metropolitan Statistical Area (“MSA”) # 49340.

The assessment area contains 35 census tracts. Of those tracts, 1, or 2.9 percent, is low-income; 5, or 14.3 percent, are moderate-income; 24, or 68.5 percent, are middle-income; 4, or 11.4 percent, are upper-income; and 1, or 2.9 percent, has no income level assigned (NA). It should be noted that the NA tract is located in Grafton and is the site of the Tufts School of Veterinary medicine, with a population of 325 and no housing units.

Based on 2000 U.S. Census data, the total population of the assessment area is 159,329 persons, and there are 60,672 households and 43,018 families. The following table provides demographic and economic information pertaining to the Bank’s assessment area. Housing information is based on 2000 U.S. Census data. There are 63,631 housing units in the assessment area, of which 67.0 percent are owner-occupied. Refer to the following table for more information.

Selected Housing Statistics by Income Category of the Geography						
Census Tract	Total Housing Units	Total Households	Rental Units %	Owner Occupied %	Vacant Units %	Median Housing Value
Low	1,122	1,086	4.6	0.5	2.8	\$95,200
Moderate	8,238	7,567	26.5	6.6	21.5	\$108,533
Middle	43,203	41,320	60.8	71.2	63.5	\$140,139
Upper	11,067	10,697	8.1	21.7	12.2	\$179,126
N/A	1	2	0.0	0.0	0.0	--
Total	63,631	60,672	100.0	100.0	100.0	\$147,379

Source: PCi Corporation CRA Wiz, 2000 U.S. Census

All of the Bank's assessment area is inside the Worcester MSA; therefore, the unemployment rate for Worcester County is used. The unemployment rate for Worcester County was 11.1 percent in 2009 and 12.1 percent in 2010. As a comparison, the 2009 and 2010 United States unemployment rate increased from 9.3 percent to 9.6 percent and the Massachusetts rate increased from 2009 to 2010, going from 8.2 percent to 8.5 percent.

Community Contact

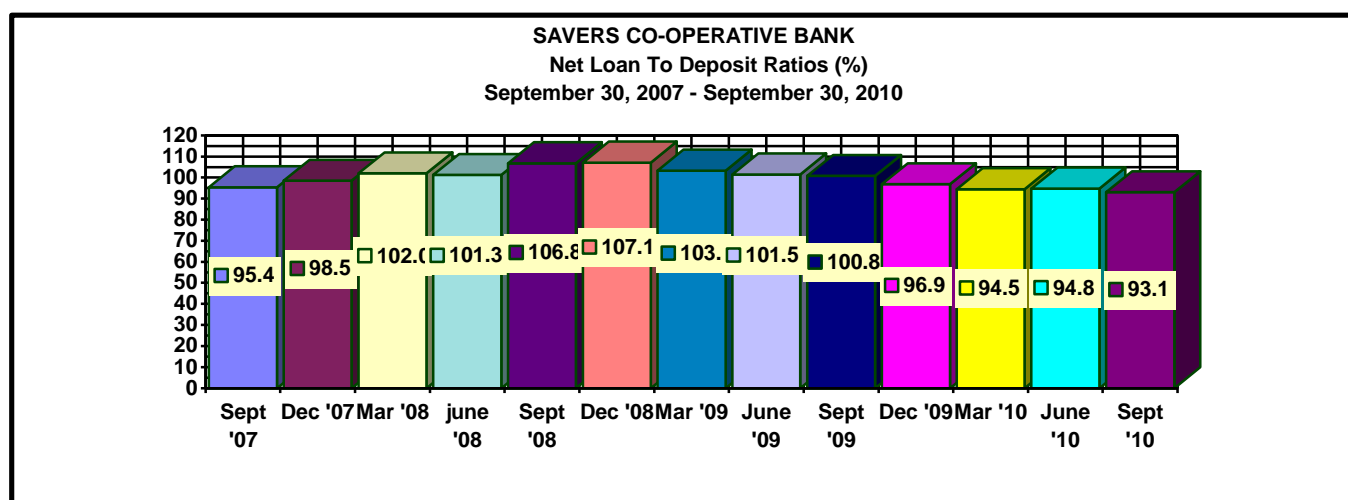
A contact with a statewide agency involved in affordable housing was consulted for additional insights into the area's housing and credit needs. The contact noted that declining home values, increasing defaults and foreclosures, and the economic recession has led to lenders tightening their underwriting standards. This situation is making it difficult for potential borrowers, especially those of low- and moderate-income, to secure home financing. The contact indicated that mortgage lenders could become an approved lender with the contact's organization as a means to offer the flexible and innovative credit products that are now largely lacking in the market place. Based on the area's demographics and the insights gained through discussions with management and the community contact, the assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

LOAN-TO-DEPOSIT (“LTD”) RATIO

An analysis of Savers Co-operative Bank’s quarterly net LTD ratios for the period of September 30, 2007 through September 30, 2010 was conducted during this examination. Using the Bank’s quarterly Call Reports, the average net LTD ratio for this period was 99.7 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. Overall, deposit growth (17.1 percent) slightly outpaced loan growth (14.5 percent) over the period. The following graph is provided for further analysis.



As shown in the graph above, the Bank’s LTD ratio fluctuated over the past 13 quarters. Since the previous evaluation, the LTD ratio ranged from 93.1 percent as of September 30, 2010 to 107.1 percent as of December 31, 2008.

The Bank’s LTD ratio was compared to 10 similarly situated banks in the area, ranging in size from \$146 million to \$568 million. As noted in the table below, Savers performed well, achieving a higher ratio than the largest bank (Webster 5 Cents Savings Bank), by a significant amount, and outperforming 6 of the 10 other competitors.

Institution	Total Assets-9/30/2010 \$(000)	*Net Loan to Total Deposit Ratios Averages (%)
Spencer Savings Bank	396,380	110.0
Southbridge Savings Bank	435,311	108.7
Barre Savings Bank	146,049	104.9
The Milford Bank	387,262	104.2
Savers Co-operative Bank	402,286	99.7
Hometown Bank	221,350	97.8
Monson Savings	146,049	96.5
Bay State Savings Bank	280,401	95.8
Webster Five Cents Savings Bank	568,140	88.4
Millbury Savings Bank	202,438	81.4
North Brookfield Savings	190,457	70.2

*September 30, 2007-September 30, 2010

Although not reflected in the LTD ratio the Bank's loan sales further demonstrate their willingness to reinvest in the community through its lending services. In 2008 the Bank sold 2 loans totaling \$402,065; 76 loans totaling \$11,709,000 in 2009 and for the period January 1, 2010 to September 30, 2010 they sold 43 loans totaling \$7,177,000. These loans were sold to Freddie Mac and MassHousing.

Based on the Bank's asset size, resources, and the credit needs of its customers, the Bank's net loan-to-deposit ratio is considered more than reasonable.

ASSESSMENT AREA CONCENTRATION

The Bank's 2008, 2009 and YTD September 30, 2010 HMDA LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, Savers originated 984 HMDA reportable loans totaling approximately \$142,744,000. Of these loans, 521, or 53.0 percent, were originated inside the Bank's assessment area, totaling \$82,472,000 or 57.8 percent by dollar amount. The following table summarizes the Bank's HMDA reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2008	207	49.5	32,371	51.9	211	50.5	29,973	48.1
2009	188	58.4	29,266	65.3	134	41.6	15,564	34.7
YTD 9/30/10	126	51.6	20,835	58.6	118	48.4	14,735	41.4
Total	521	53.0	82,472	57.8	463	47.0	60,272	42.2

Source: Bank 2008, 2009 and YTD September 30, 2010 HMDA Data

As noted above, the number of loans inside the assessment area from 2008 to 2009 increased 9.2 percent. Further, the percentage of loans originated inside the assessment area went from 49.5 percent to 58.4 percent. Conversely, from 2009 to YTD September 30, 2010 the number of loans originated inside the assessment area dropped from 58.4 percent to 51.6 percent.

In addition to the percentage of loans originated inside the assessment area and the overall positive trend, the following information was considered in evaluating the Bank's performance.

- In 2009 (the most recent year that aggregate data is available) Savers ranked 15th in market share out of the 295 HMDA reporting lenders in the assessment area. Only two locally based banks ranked higher than Savers and the majority of those ranking higher are much larger banks, multinational institutions and some mortgage companies. It should be further noted that the Bank outperformed its direct competition in Southbridge (Southbridge Savings Bank).
- Savers currently purchases manufactured home loans (mobile homes) from two different correspondents. Due to the broad geographic area served by these firms, many of these loans are outside of the Bank's assessment area. Had these loans been removed from the assessment area analysis, the Bank's percentages of loans originated inside the assessment area for 2008, 2009 and YTD September 30, 2010 would be 60.0 percent, 73.3 percent, and 64.4 percent respectively.

Analyses of the Bank's lending inside and outside the assessment area by loan purpose were also conducted. In 2008, 32.3 percent of the Bank's home purchase loans were inside the assessment area, while 60.00 percent of total refinance loans and 79.0 percent of total home improvement loans were inside the assessment area. In 2009, the Bank's percentage of home purchase loans inside the assessment area improved slightly to 35.5 percent, and the percentage of refinance loans also improved slightly to 64.5 percent while home improvement loans inside the assessment remained constant at 79.2 percent. Review of YTD 2010 data revealed a decreasing trend with 34.5 percent of home purchase loans inside the assessment area, 61.6 percent refinancings and 57.1 percent home improvement loans inside the assessment area. The lower percentages of home purchase loans inside the assessment area are attributable to the volume of manufactured home loans.

Despite the poor real estate environment and competition, Savers Co-operative Bank's lending inside its assessment area is considered satisfactory, as a majority of its loans are in the Bank's area.

BORROWER PROFILE

The Bank's HMDA reportable loans were analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes, for 2008, 2009 and YTD September 30, 2010 were compared to the median family incomes for the Worcester MSA. The income figures are based on median family income derived from data collected during the census for the respective MSA. The MSA median income figures are adjusted annually by the Department of Housing and Urban Development ("HUD") to allow for factors such as inflation and other economic events. The median family incomes for the Worcester MSA for 2008, 2009 and 2010 were \$76,900, \$79,700 and \$79,900 respectively.

Low-income is defined as income that is less than 50 percent of the area median income; moderate-income is defined as income that is at least 50 percent but less than 80 percent of the area median; middle-income is defined as income that is at least 80 percent but less than 120 percent of the area median income; and upper-income is defined as income that is 120 percent or more of the area median income.

The following table breaks out the loans the Bank originated inside the assessment area categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the Worcester MSA for the respective year. The table also presents the distribution of families by income level and the aggregate market data for 2009.

Distribution of Home Mortgage Loans by Borrower Income										
Median Family Income Level	% Total Family Households	2008		2009 Aggregate Lending Data (% of #)	2009		YTD 09/30/10		Total	
		#	%		#	%	#	%	#	%
Low	18.3	21	10.1	5.6	20	10.6	16	12.7	57	10.9
Moderate	16.5	43	20.8	18.7	45	23.9	30	23.8	118	22.7
Middle	24.6	64	30.9	26.2	62	33.0	37	29.3	163	31.3
Upper	40.6	72	34.8	33.6	55	29.3	40	31.8	167	32.1
NA	0.0	7	3.4	15.9	6	3.2	3	2.4	16	3.0
Total	100.0	207	100.0	100.0	188	100.0	126	100.0	521	100.0

Source: 2000 U.S. Census, CRA Wiz HMDA Aggregate Data, Bank 2008, 2009 and YTD September 30, 2010 HMDA Data

During the period reviewed, Savers Co-operative Bank extended 57 HMDA reportable loans in the assessment area to low-income borrowers, representing 10.9 percent of total originations. The Bank also extended 118 loans to moderate-income borrowers, representing 22.7 percent of total originations. As reflected in the table, the Bank's percentage of lending to low- and moderate-income borrowers significantly exceeded the aggregate's lending in 2009. Given the competitive environment in which the Bank operates, the ability to outperform the aggregate is considered excellent.

The Bank's lending to low-income borrowers in 2008, 2009 and YTD September 30, 2010 was less than the percentage of low-income families in the assessment area. However, given the cost of housing in the area and its impact on the ability of low-income applicants to purchase a home, especially those families below poverty level (5.3 percent), the Bank's performance is considered good. It is unlikely that these low-income applicants would be eligible to obtain a home mortgage loan. The Bank's lending to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area.

In addition to the ability to exceed the aggregate performance, Savers Co-operative Bank also achieved excellent market ranks. Analysis of the 2009 data revealed that the Bank ranked 5th in market share out of 295 HMDA reporting lenders to low-income individuals, and 10th to moderate-income individuals. Again, the majority of the lenders ranking higher were large multi-national banks and mortgage companies. The rankings indicate that the Bank has been very successful in helping to meet the home mortgage lending needs of low- and moderate-income residents in their assessment area.

Analyses of the Bank's lending performance by purpose (home purchase, refinance, and home improvement) revealed that Savers outperformed the aggregate in each category in 2009 to low-income borrowers with the exception of the home improvement loans that were almost the same as the aggregate. In addition, the Bank outperformed the aggregate to moderate-income borrowers in all categories. A review of the YTD September 30, 2010 data revealed that Savers continued to perform well. While there is some variation by loan purpose and by year, these analyses provide support to the overall assessment that the distribution of borrowers reflects excellent penetration among individuals of different income levels. The Bank's efforts to offer products, such as the Federal Home Loan Bank (FHLB) Equity Builder and MassHousing programs have aided first time homebuyers and lower income borrowers in the assessment area.

Given the demographics of the assessment area and the level of competition, Savers' ability to outperform the aggregate and achieve high market ranks to both low- and moderate-income borrowers is considered excellent.

GEOGRAPHIC DISTRIBUTION OF LOANS

The Bank's lending activity within its assessment area was reviewed in order to determine the distribution of lending among the various census tracts. As mentioned previously, the Bank's assessment area contains 35 census tracts of which 1 is low-income, 5 are moderate-income, 24 are middle-income, 4 are upper-income and 1 is designated NA.

The following table presents the Bank's HMDA performance in 2008, 2009 and YTD September 30, 2010 as well as the 2009 aggregate market data. In addition, the table reflects the percentage of owner-occupied housing units in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract										
Census Tract	% Total Owner Occupied Housing Units	2008		2009 Aggregate Lending Data (% of #)	2009		YTD 09/30/10		Total	
		#	%		#	%	#	%	#	%
Low	0.5	1	0.5	0.3	1	0.5	0	0.0	2	0.4
Moderate	6.6	16	7.7	4.1	17	9.0	5	4.0	38	7.3
Middle	71.3	150	72.5	69.1	130	69.2	88	69.8	368	70.6
Upper	21.6	40	19.3	26.5	40	21.3	33	26.2	113	21.7
NA	0.0	0	0.0	0.0	0	0.0	0	0.0	0.0	0.0
Total	100.0	207	100.0	100.0	188	100.0	126	100.0	521	100.0

Source: 2000 U.S. Census, CRA Wiz HMDA Aggregate Data, Bank 2008, 2009 and YTD 9/30/2010 HMDA Data

The Bank originated 2 loans, or 0.4 percent, in the one low-income census tract in the assessment area over the period under review. The Bank's percentage of lending in the low-income census tract in 2009 (0.5 percent) exceeded the aggregate's performance of 0.3 percent. In the moderate-income category, the Bank originated a total of 38 loans (7.3 percent) over the period under review.

When compared to the aggregate market in 2009, the Bank made 9.0 percent of all loans in moderate-income tracts, while the aggregate originated 4.1 percent in those tracts. The Bank's lending in 2008, 2009 and YTD September 30, 2010 in the low- and moderate-income census tract categories also exceeded the percentage of total owner-occupied housing units in those areas, at 0.5 percent and 6.6 percent, respectively. The ability to outperform the aggregate in such a highly competitive environment is considered excellent.

Market rank reports for 2009 show that out of 295 HMDA reporting lenders, Savers Co-operative Bank ranked 20th for low-income census tract penetration and 4th for moderate-income census tract penetration. It should be noted that the Bank's assessment area contains only one low-income census tract and the top lender originated 3 loans compared to the Bank's 1 loan. The majority of the lenders ranking higher were large multi-national banks or national mortgage companies. Given the asset size of the Bank, the ability to achieve such high market ranks is very good.

An analysis of the Bank's lending by purpose and census tract income level was also conducted. In 2008, the Bank made no home purchase loans in the one low-income census tract in the assessment area. However, the Bank's performance in the moderate-income census tracts, at 7.7 percent, exceeded the percentage of owner-occupied housing units. In 2009 the Bank's performance in the low-income census tracts, at 3.0 percent exceeded the aggregate performance of .8 percent. In 2009, the Bank made 15.2 percent of all home purchase loans in the moderate-income census tracts; this exceeded the percentage of owner occupied units, 6.6 percent, and the aggregate, 6.1 percent. The YTD September 30, 2010 data showed no loans to purchase homes in low income census tracts. However, the Bank made 6.9 percent of all home purchase loans in the moderate-income census tracts for YTD September 30, 2010 and this is greater than the owner occupied units at 6.6 percent.

In 2008, 2009 and YTD September 30, 2010, the Bank made no refinance loans in the low-income census tract. In 2008, the Bank's performance in the moderate-income tracts, at 7.5 percent, is higher than the percentage of owner-occupied housing units at 6.6 percent. In 2009, the Bank's performance in the moderate-income census tracts, at 7.7 percent, was higher than aggregate and the percentage of owner-occupied housing units. Lastly, for YTD September 30, 2010, the Bank's performance in the moderate-income census tracts, at 4.0 percent, is higher than percentage of owner-occupied housing units.

In 2008, the Bank made 2.0 percent of all home improvement loans in the low-income census tract, which is higher than the percentage of owner-occupied housing units (0.5 percent). The Bank's performance in the moderate-income category, at 8.2 percent, is higher than the percentage of owner-occupied housing units (6.6 percent). In 2009 and YTD September 30, 2010 the Bank made no home improvement loans in the low-income census tract. Also, for YTD September 30, 2010 no home improvement loans were made within the moderate-income census tracts. However, in 2009, the Bank had 7.9 percent of all home improvement loans within the moderate-income census tracts and this was higher than aggregate and owner occupied housing units.

Similar to the *Borrower Profile* criterion, there has been some variation by loan purpose; however, these analyses provide support to the overall assessment. The Bank's ability to outperform the aggregate, coupled with its ability to achieve high market ranks within both low- and moderate-income census tracts reflects an excellent dispersion throughout the assessment area.

RESPONSE TO CRA COMPLAINTS

During the evaluation period the Bank had no CRA related consumer complaints; however, it was noted that the Bank maintains adequate procedures to handle all incoming consumer complaints, including those related to its CRA performance.

COMMUNITY DEVELOPMENT TEST

The combination of the Bank's community development loans, charitable contributions, and community development services is considered adequate.

Community Development Loans

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- and moderate-income geographies. In addition, the loan must benefit the Bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multifamily dwelling (five or more units), meets a community development definition, and benefits the Bank's assessment area or a broader statewide area that includes the assessment area.

Savers Co-operative Bank extended a total of 4 qualified community development loans totaling \$331,000 over the period reviewed, July 31, 2007 through November 22, 2010. All of the loans were to community service organizations and the amounts were targeted to low- and moderate-income individuals. These four loans are outlined here:

- In 2008 the Bank granted a \$100,000 loan for equipment to a qualified organization. This organization offers numerous programs to families and individuals and provides opportunities and encouragement to a wide association of people regardless of age, sex, race, religion, income or ability to pay.

- In 2009 the Bank provided a \$175,000 loan to a nonprofit organization to purchase an office building to house its operations. This all volunteer organization has a mission to provide a place for low-income, pregnant, woman to go to for assistance. All of its services are no cost and although the organization is not located in the Bank's assessment area they serve all of Worcester County.
- In 2010 the Bank provided a \$31,000 vehicle loan for two mini-vans and a \$25,000 operating line of credit to a child care services organization. This organization's program is funded through vouchers from the Commonwealth of Massachusetts and works with low-income individuals on a sliding fee scale through the Department of Early Education. The mini-vans will be used to provide transportation for teens and the homeless.

In addition to the above community development loans, in 2009, the Bank granted a subordination agreement that helped develop housing for the disabled and they granted a loan to help revitalize an area of Worcester. Although, by definition these are not considered qualified community development loans, they represent the Bank's commitment in this area.

- Savers provided an \$800,000 loan to a congregation to purchase a vacant church building. This property is located just outside the Bank's assessment area and it is within feet of a HUD designated Neighborhood Revitalization Strategic Area (NRSA). NRSA's were created to revitalize an area that is a community's most distressed. NRSA's bring together neighborhood residents, small business owners, and property owners, as well as larger community stakeholders to forge partnerships that commit to neighborhood building, make neighborhoods attractive for investment, ensure that economic activity benefits are reinvested in the neighborhood, and foster growth of resident-based initiatives to identify/address their housing, economic and human service needs.
- The Bank subordinated its interest in a mortgage on a property that was renovated and will be used as intended, to house handicapped and disabled clients. The funding for the eight apartments was funded by HUD. Although not a direct loan, this subordination agreement helped provide this badly needed housing.

Qualified Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during the evaluation period.

Equity Investments

On October 13, 2010, the Bank purchased a qualified equity investment that supports affordable housing. The following is a summary of this investment:

- *Federal National Mortgage Association (Fannie Mae)*: Fannie Mae is a stockholder-owned corporation that purchases and securitizes mortgages to ensure funds are available to lending institutions. The Bank currently holds one Fannie Mae security that is secured by one to four family residential mortgages, all of which were made to low- and moderate-income borrowers. Three of the seven loans are located within the Bank's assessment area and four are located in Worcester, just outside the assessment area. The current total book

value of the security is \$1,180,915 which represents less than one percent of the Bank's total investment portfolio and total assets

Charitable Contributions

The Bank has also made contributions to organizations that provide education, youth programs, affordable housing, health and human services, and support to businesses for growth and development. From July 31, 2007 through November 22, 2011, the Bank granted \$129,329 in charitable donations to community organizations, of which \$57,365 or 44.3 percent was considered qualified. Broken down by year, the total amount of qualified investments consists of \$3,650 in donations made in 2007 (from July 31 through December 31); \$23,055 made in 2008; \$8,700 made in 2009; and \$21,960 made in 2010 (from January 1 through November 22). The amounts qualified in calendar years 2008 and 2009 each represent less than 1 percent of the Bank's pre-tax net operating income.

These donations are categorized by time period in the table below.

Qualified Community Development Donations										
Community Development Category	7/31/2007–12/31/2007		2008		2009		YTD 2009 (thru 11/22/2010)		TOTAL	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing					1	500			1	500
Community Services	7	3,650	13	23,055	8	8,200	14	21,960	42	56,865
Economic Development										
Revitalization or Stabilization										
Total	7	3,650	13	23,055	9	8,700	14	21,960	43	57,365

Source: Internal Bank Records

The following is a sample of organizations that received donations from the Bank.

Alternatives - This organization is committed to offering quality residential and vocational services to individuals with developmental and psychiatric disabilities. Alternatives receives 80.0 percent of its funding from the Departments of Mental Retardation and Mental Health.

Pernet Family Health Service - This organization is a 501c3 certified home health agency that provides comprehensive health, social, and educational services to families marginalized by poverty. This organization works with the most challenging families at highest risk for infant mortality and child abuse.

Consumer Credit Counseling Services of Southern New England - This organization offers free counseling services and works with individuals to solve their debt problems and to take control of their financial future by learning ways to manage money.

Community Harvest Project - This organization is an all-volunteer farm program that grows produce to help alleviate hunger in Central Massachusetts. All of the produce is donated to the Worcester County Food Bank.

Tri-Valley Inc. Fuel Assistance Program - This organization seeks to improve and maintain the quality of life for seniors, and individuals with disabilities. The fuel assistance program provides fuel assistance relief for needy elderly residents.

Savers Co-operative Bank made a satisfactory effort to contribute to organizations that provide community development-related services.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial or technical services or assistance.

Bank officers and employees provide technical and financial expertise to many community organizations that meet the definition of community development. The following highlights some of the organizations in which Bank personnel are involved.

United Way - The United Way has played a critical role in the local community by helping those in need. The Bank's President serves on the Board of Directors of this organization.

Development and Industrial Commission (MGL Chapter 40: Section 8A) - This organization was established to conduct research into industrial conditions and assist in the establishment of educational or commercial projects for the purpose of expanding or strengthening the local economy. Currently the organization is considering recommendations for Tax Incentive Financing. The Bank's President served as a member for a five year term that expired in June of 2009.

Southern Worcester County Development Corporation (SWC CDC) - This new CDC was established to improve the quality of life in the communities of Charlton, Douglas, Dudley, Oxford, Southbridge, Sturbridge, and Webster by undertaking projects that address economic, environmental and social needs of the residents while enhancing the community's physical image and fostering a sense of regional pride. The Bank's Business Development Officer serves as a Director for this CDC.

Auburn Youth and Family Services, Inc. - This organization provides counseling to clients with substance abuse and physical abuse issues that do not have health insurance. In addition, this organization offers a food pantry and a clothes closet for people in need. A Branch Manager of the Bank serves as an Advisory Board Member and a Residential Lending Specialist serves as an Associate Director.

Tri-Community YMCA - This organization offers numerous programs to families and individuals of all ages regardless of their ability to pay. The Bank's Treasurer and CFO is a past President and currently serves on the Capital Facilities Endowment Fund contributing financial expertise.

Downtown Southbridge Partnership - This organization's goal is to concentrate on the downtown area to foster economic development and provide assistance to new businesses and industry. This will ultimately make the downtown area a vibrant, attractive place to live and work. A Branch Manager is the Treasurer of this organization.

Educational Seminars

Bank officers and employees participated in seminars and other events sponsored or co-sponsored by the Bank during the evaluation period. These events provided opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following are a sample of these events.

- The Bank is a participant in the Save for America program. Under this program, Bank representatives visit three local elementary schools in Southbridge weekly to open savings accounts, accept deposits, and educate the students on the importance of savings. As of November 22, 2010, the Bank had 249 accounts with \$31,963 in deposits.

- The Bank hosted an educational field trip to the Uxbridge Branch Office for 41 fourth graders. The Branch Manager and the Head Teller conducted a presentation that stressed the importance of thrift.
- The Bank was an approved advisor under the Financial Freedom reverse mortgage program in 2007 and 2008.

Savers Co-Operative Bank has made a reasonable effort to provide community development services to its assessment area through its outreach efforts, officer involvement, and seminars.

APPENDIX A

Division of Banks Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank incorporates reference to Fair Lending as part of its written residential and consumer loan policies.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has an on-going Fair Lending Training program utilizing an online vender that supports the continuing education for all staff through the utilization of selected seminars and webinars. In addition, all loan related employees are assigned to a fair lending course on an annual basis.

The Bank's Marketing Department communicates the availability of credit products utilizing a variety of communication mediums such as newspaper advertisements, radio, direct mail, branch lobby brochures, periodic statement stuffers, website information, and community outreach presentations.

The Bank employs 104 employees, of which eight speak a second language. Employees are available to translate for customers in French, Spanish Tagalog, Visaya, Laotian, Hindi, and Punjabi.

The Bank has a second review process for denied mortgage loan applications. Loans slated for denial are reviewed by the Bank's senior lending officer before the adverse action notice is sent to the applicant. In addition, the credit committee and security committee also review all denied mortgage applications; however, this occurs after the adverse action notice is sent. The Bank regularly refers borrowers with credit problems to HUD for a current list of approved non-profit credit counseling organizations.

MINORITY APPLICATION FLOW

The Bank's LAR for 2008, 2009 and YTD September 30, 2010 were reviewed to determine if the application flow from the different racial and ethnic groups within the Bank's assessment area was reflective of the area's demographics. The Bank's assessment area contains 159,329 individuals, 10,070 or 6.3 percent whom are minorities. The assessment area's minority and ethnic population is 0.2 percent American Indian/Alaskan Native, 0.9 percent Asian, 0.6 percent African American, 3.7 percent Hispanic or Latino, and 0.9 percent other.

The Bank received 645 HMDA reportable loan applications from within its assessment area in 2008, 2009 and YTD September 30, 2010. Of these applications, 14 or 2.2 percent were received from minority applicants, of which 10 or 71.4 percent resulted in originations. The Bank also received 21 or 3.3 percent HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area, of which 18 or 85.7 percent resulted in originations.

The Bank's minority application flow for this period was compared with the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of application the Bank received from minority credit applicants. The Bank received fewer applications from minorities in 2009 than the aggregate and also less than the Bank's performance in 2008. However, the Bank received more applications from Ethnic (Hispanic) minority applicants overall in 2009 than the aggregate and when compared to the Bank's performance in 2008. For YTD September 30, 2010, the Bank received no minority applications.

Refer to the following table for further details.

RACE	Bank 2008		Aggregate Data 2009		Bank 2009	
	#	%	#	%	#	%
American Indian/ Alaska Native	1	0.4	31	0.2	0	0.0
Asian	5	1.9	331	2.4	3	1.3
Black/ African American	0	0.0	53	0.5	0	0.0
Hawaiian/Pac Isl.	0	0.0	11	0.1	0	0.0
2 or more Minority	0	0.0	6	0.1	0	0.0
Joint Race (White/Minority)	3	1.2	85	0.5	2	0.8
Total Minority	9	3.5	517	3.8	5	2.1
White	250	95.7	10,383	76.0	231	97.9
Race Not Available ²	2	0.8	2,765	20.2	0	0.0
Total	261	100	13,665	100.0	236	100.0
ETHNICITY						
Hispanic or Latino	4	1.5	209	1.5	10	4.2
Not Hispanic or Latino	254	97.3	10,520	77.0	223	94.5
Joint (Hispanic/Latino/Not Hispanic/Latino)	1	0.4	97	0.7	3	1.3
Ethnicity Not Available	2	0.8	2,839	20.8	0	0.0
Total	261	100.0	13,665	100.0	236	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one has incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 270 Main Street, Southbridge, MA 01550."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.